

CERTIFICATION OF ENROLLMENT

SENATE BILL 5931

Chapter 344, Laws of 1995

54th Legislature
1995 Regular Session

PARITY BETWEEN STATE AND FEDERALLY CHARTERED
FINANCIAL INSTITUTIONS

EFFECTIVE DATE: 7/23/95

Passed by the Senate April 19, 1995
YEAS 47 NAYS 0

JOEL PRITCHARD

President of the Senate

Passed by the House April 4, 1995
YEAS 96 NAYS 0

CLYDE BALLARD

**Speaker of the
House of Representatives**

Approved May 11, 1995

MIKE LOWRY

Governor of the State of Washington

CERTIFICATE

I, Marty Brown, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SENATE BILL 5931** as passed by the Senate and the House of Representatives on the dates hereon set forth.

MARTY BROWN

Secretary

FILED

May 11, 1995 - 1:36 p.m.

**Secretary of State
State of Washington**

SENATE BILL 5931

AS AMENDED BY THE HOUSE

Passed Legislature - 1995 Regular Session

State of Washington 54th Legislature 1995 Regular Session

By Senators Prentice and Hale

Read first time 02/15/95. Referred to Committee on Financial
Institutions & Housing.

1 AN ACT Relating to state-chartered financial institutions parity
2 with federally chartered financial institutions; amending RCW 30.04.111
3 and 30.08.180; and reenacting and amending RCW 30.04.215 and 30.08.190.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 30.04.111 and 1994 c 92 s 12 are each amended to read
6 as follows:

7 The total loans and extensions of credit by a bank or trust company
8 to a person outstanding at any one time shall not exceed twenty percent
9 of the capital and surplus of such bank or trust company. The
10 following loans and extensions of credit shall not be subject to this
11 limitation:

12 (1) Loans or extensions of credit arising from the discount of
13 commercial or business paper evidencing an obligation to the person
14 negotiating it with recourse;

15 (2) Loans or extensions of credit secured by bonds, notes,
16 certificates of indebtedness, or treasury bills of the United States or
17 by other such obligations wholly guaranteed as to principal and
18 interest by the United States;

1 (3) Loans or extensions of credit to or secured by unconditional
2 takeout commitments or guarantees of any department, agency, bureau,
3 board, commission, or establishment of the United States or any
4 corporation wholly owned directly or indirectly by the United States;

5 (4) Loans or extensions of credit fully secured by a segregated
6 deposit account or accounts in the lending bank;

7 (5) Loans or extensions of credit secured by collateral having a
8 readily ascertained market value of at least one hundred fifteen
9 percent of the outstanding amount of the loan or extension of credit;

10 (6) Loans or extensions of credit secured by bills of lading,
11 warehouse receipts, or similar documents transferring or securing title
12 to readily marketable staples shall be subject to a limitation of
13 thirty-five percent of capital and surplus in addition to the general
14 limitations, if the market value of the staples securing each
15 additional loan or extension of credit at all times equals or exceeds
16 one hundred fifteen percent of the outstanding amount of the loan or
17 extension of credit. The staples shall be fully covered by insurance
18 whenever it is customary to insure the staples;

19 (7) The purchase of bankers' acceptances of the kind described in
20 section 13 of the federal reserve act and issued by other banks shall
21 not be subject to any limitation based on capital and surplus;

22 (8) The unpaid purchase price of a sale of bank property, if
23 secured by such property.

24 For the purposes of this section "capital" shall include the amount
25 of common stock outstanding and unimpaired, the amount of preferred
26 stock outstanding and unimpaired, and capital notes or debentures
27 issued pursuant to chapter 30.36 RCW.

28 For the purposes of this section "surplus" shall include capital
29 surplus, reflecting the amounts paid in excess of the par or stated
30 value of capital stock, or amounts contributed to the bank other than
31 for capital stock, and ~~((amounts transferred to surplus from))~~
32 undivided profits ~~((pursuant to resolution of the board of directors))~~.

33 The term "person" shall include an individual, sole proprietor,
34 partnership, joint venture, association, trust, estate, business trust,
35 corporation, sovereign government or agency, instrumentality, or
36 political subdivision thereof, or any similar entity or organization.

37 The director may prescribe rules to administer and carry out the
38 purposes of this section, including without limitation rules to define
39 or further define terms used in this section and to establish limits or

1 requirements other than those specified in this section for particular
2 classes or categories of loans or extensions of credit, and to
3 determine when a loan putatively made to a person shall, for purposes
4 of this section, be attributed to another person. In adopting the
5 rules, the director shall be guided by rulings of the comptroller of
6 the currency that govern lending limits applicable to national
7 commercial banks.

8 **Sec. 2.** RCW 30.04.215 and 1994 c 256 s 37 and 1994 c 92 s 20 are
9 each reenacted to read as follows:

10 (1) Notwithstanding any other provisions of law, in addition to all
11 powers enumerated by this title, and those necessarily implied
12 therefrom, a bank may engage in other business activities that have
13 been determined by the board of governors of the federal reserve system
14 or by the United States Congress to be closely related to the business
15 of banking, as of December 31, 1993.

16 (2) A bank that desires to perform an activity that is not
17 expressly authorized by subsection (1) of this section shall first
18 apply to the director for authorization to conduct such activity.
19 Within thirty days of the receipt of this application, the director
20 shall determine whether the activity is closely related to the business
21 of banking, whether the public convenience and advantage will be
22 promoted, whether the activity is apt to create an unsafe or unsound
23 practice by the bank and whether the applicant is capable of performing
24 such an activity. If the director finds the activity to be closely
25 related to the business of banking and the bank is otherwise qualified,
26 he or she shall forthwith inform the applicant that the activity is
27 authorized. If the director determines that such activity is not
28 closely related to the business of banking or the bank is not otherwise
29 qualified, he or she shall forthwith inform the applicant in writing.
30 The applicant shall have the right to appeal from an unfavorable
31 determination in accordance with the procedures of the Administrative
32 Procedure Act, chapter 34.05 RCW. In determining whether a particular
33 activity is closely related to the business of banking, the director
34 shall be guided by the rulings of the board of governors of the federal
35 reserve system and the comptroller of the currency in making
36 determinations in connection with the powers exercisable by bank
37 holding companies, and the activities performed by other commercial
38 banks or their holding companies.

1 (3) (~~(In addition to all powers enumerated by this title, and those~~
2 ~~necessarily implied therefrom, a bank may engage in other business~~
3 ~~activities that are determined by the director, by rule adopted~~
4 ~~pursuant to chapter 34.05 RCW, to be closely related to the business of~~
5 ~~banking, or necessary or convenient thereto, and the exercise thereof~~
6 ~~will promote the public convenience and advantage. Provided, however,~~
7 ~~that such other business activities shall also have been determined by~~
8 ~~the board of governors of the federal reserve system or by the United~~
9 ~~States congress to be closely related to the business of banking.))~~

10 Notwithstanding any restrictions, limitations, and requirements of law,
11 in addition to all powers, express or implied, that a bank has under
12 the laws of this state, a bank shall have the powers and authorities
13 conferred as of August 31, 1994, upon federally chartered bank doing
14 business in this state. A bank may exercise the powers and authorities
15 conferred on a federally chartered bank after this date, only if the
16 director finds that the exercise of such powers and authorities:

17 (a) Serves the convenience and advantage of depositors, borrowers,
18 or the general public; and

19 (b) Maintains the fairness of competition and parity between state-
20 chartered banks and federally chartered banks.

21 As used in this section, "powers and authorities" include without
22 limitation powers and authorities in corporate governance and
23 operational matters.

24 The restrictions, limitations, and requirements applicable to
25 specific powers or authorities of federally chartered banks shall apply
26 to banks exercising those powers or authorities permitted under this
27 subsection but only insofar as the restrictions, limitations, and
28 requirements relate to exercising the powers or authorities granted
29 banks solely under this subsection.

30 (4) Any activity which may be performed by a bank, except the
31 taking of deposits, may be performed by (a) a corporation or (b)
32 another entity approved by the director, which in either case is owned
33 in whole or in part by the bank.

34 **Sec. 3.** RCW 30.08.180 and 1994 c 92 s 60 are each amended to read
35 as follows:

36 Every bank and trust company shall make at least three regular
37 reports each year to the director, as of the dates which he or she
38 shall designate, according to form prescribed by him or her, verified

1 by the president, manager or cashier and attested by at least two
2 directors, which shall exhibit under appropriate heads the resources
3 and liabilities of such corporation. The dates designated by the
4 director shall be the dates designated by the comptroller of the
5 currency of the United States for reports of national banking
6 associations. (~~Each such report in condensed form, to be prescribed
7 by the director, shall be published once in a newspaper of general
8 circulation, published in a place where the corporation is located, or
9 if there be no newspaper published in such place, then in some
10 newspaper published in the same county.~~)

11 Every such corporation shall also make such special reports as the
12 director shall call for.

13 **Sec. 4.** RCW 30.08.190 and 1994 c 256 s 51 and 1994 c 92 s 61 are
14 each reenacted and amended to read as follows:

15 (1) Every regular report shall be filed with the director within
16 thirty days from the date of issuance of the notice. Every special
17 report shall be filed with the director within such time as shall be
18 specified by him or her in the notice therefor.

19 (2) The director shall provide a copy of any regular report free of
20 charge to any person that submits a written request for the report.

21 (3) Every bank and trust company which fails to file any report,
22 required to be filed under subsection (1) of this section and within
23 the time specified, shall be subject to a penalty of fifty dollars per
24 day for each day's delay. A civil action for the recovery of any such
25 penalty may be brought by the attorney general in the name of the
26 state.

Passed the Senate April 19, 1995.

Passed the House April 4, 1995.

Approved by the Governor May 11, 1995.

Filed in Office of Secretary of State May 11, 1995.